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ABSTRACT

As states move toward higher expectations for student learning and stringent consequences for results, many school districts are demanding "reciprocity"--a level of resources and support they believe is needed to do the job. These demands are forcing policymakers to struggle with a difficult question: What kind and amount of resources does it take to enable all students to reach desired achievement levels? Issues of how to fund schools can no longer be treated separately from how to make them better. Funding debates and legal challenges that have long centered on "equity," or how to fairly distribute available money, must also tackle the more basic question of "adequacy"--How much is enough to educate a child? This brief examines the shift in school funding from equity to adequacy, with special attention to some of the challenges it raises, including adequacy-based legal issues and litigation, current models for calculating, adequacy-based funding formula, practical implications of shifting to an adequacy-based finance structure, and special challenges faced by western states. (Contains 15 endnotes.) (DFR)

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POLICY BRIEF

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school funding

As states move toward **higher expectations** for student learning and **stringent consequences** for results, many school districts are demanding reciprocity — the resources and support they say are needed to do the job. These demands are forcing policymakers to struggle with a difficult question — What kind and amount of resources does it take to **enable all students** to reach desired achievement levels?

FROM EQUITY TO ADEQUACY

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■ This brief stems from a series of WestEd-sponsored symposia for policymakers on school funding adequacy, featuring presentations by school finance experts Allan Odden of the University of Wisconsin-Madison and John Augenblick of the Denver-based consulting firm Augenblick and Myers.

Issues of how to fund schools can no longer be treated separately from how to make them better. Funding debates and legal challenges that have long centered on "equity," or how to fairly distribute available money, must also tackle the more basic question of "adequacy" — How much is enough to educate a child?

This brief examines the shift in school funding from equity to adequacy, with special attention to some of the challenges it raises, including:

- Adequacy-based legal issues and litigation;
- Current models for calculating an adequacy-based funding formula;
- Practical implications of shifting to an adequacy-based finance structure; and,
- Special challenges faced by western states.

Why the Shift from Equity to Adequacy?

In large part, two interacting forces are driving policymakers toward adequacy-based thinking. First, the standards and accountability movements have made expectations for schools and students clearer than ever before. Second, because these expectations are clear, it is easier than ever before to seek legal redress when states fail to provide the funding that would be "adequate" for meeting them.

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Standards and Performance-Based Accountability

Today's message to schools is to improve the achievement of all students — or suffer consequences. When schools counter these expectations with claims of insufficient resources, policymakers face some daunting questions: What resources does it take? What educational strategies and staffing positions are needed for high performance? What additional resources are needed for children with special needs, including children who are low-income or English language learners?

While policymakers may want to strike a bargain with school districts and provide more funding for improved performance, this approach implies that schools will be provided with resources sufficient to do the job.

Legal Challenges

In most states where suits demanding adequate resources have been filed — Alabama, Arizona, Kentucky, New Hampshire, New Jersey, New York, North Carolina, Ohio, Tennessee, Washington, West Virginia, and Wyoming, for example — courts have mandated that legislatures revise school-funding structures accordingly.[1] Recently in California the American Civil Liberties Union filed an adequacy lawsuit, claiming insufficient facilities and resources in certain districts. Many other states are likely to face adequacy legislation in the near future.

ADEQUACY AND THE

What the legal issue is. Increasingly, courts are finding that the state -- not the local school district — is responsible for providing a public school system that offers all students an adequate education. If the state's funding-system fails to support such an education, it can be deemed unconstitutional. Defining "adequate" is generally left to the legislature, but many state supreme courts have offered guiding principles or made general observations about adequate student outcomes. Some clearly assert that adequacy means more than per-pupil funding. The concept may also encompass needed facilities, programs, and services.

Who the plaintiffs are. Generally, plaintiffs in adequacy cases are low-wealth school districts or groups of districts. However, in certain actions, plaintiffs have also included relatively large and seemingly wealthy districts, who claim that the funding system does not sufficiently consider the burdens faced by urban areas with large and growing numbers of special needs students, including those who are low-income or English language learners. In some cases, courts have formed a "statewide class" of all children — present and future — who face an inadequate education.

While the lawsuits do not typically focus on issues of race or ethnicity, civil rights groups point out that minority students constitute a majority at many of the schools lacking adequate funding, services, or facilities. Additionally, the suits themselves point to the resources, such as bilingual teachers, that the legislature will need to fund in order to provide services for certain groups of these students.

How courts have monitored compliance. Courts have taken different approaches to measuring compliance and monitoring judicial orders. Kentucky's State Supreme Court mandated a complete overhaul of the education system in 1989 and provided only broad guidelines for what would constitute a constitutionally adequate education.[2] The legislature reacted quickly, and the state court has not since intervened. New Jersey's Supreme Court, however, embroiled in nearly 30 years of equity and adequacy litigation, mandated specific educational reforms based on the state's own goals and standards.[3] When those requirements were not met precisely, the Court intervened again.[4]

Factors considered in court "adequacy tests" have included facilities, student-teacher ratios, availability of Advanced Placement courses, dropout rates, and disparities in funding among districts. North Carolina's Supreme Court asserted that achievement scores could be considered a factor, but no court as yet has required a particular level of achievement or improvement.

How adequacy lawsuits can be avoided. States may be advised to examine their current school funding structure to determine whether it provides sufficient monies for students to meet state standards. Fearing a lawsuit, Mississippi legislators evaluated their school system and found that many school districts did not have sufficient resources available to be deemed adequate under the state's own accreditation system. Knowing that litigation might be imminent, the legislature passed the Mississippi Adequate Education Program (MAEP). By preempting a legal challenge, they were able to design their own program — instead of responding to the dictates of a judge — and to phase in funding over a five-year period.[5] The legislature there is now committed to the program, and in FY00, despite budget cuts in other state programs, funding for MAEP remained on track.

Comparison of Four Funding Models

Funding Model	Approach	Advantages	Disadvantages
Typical High-Performing Districts	Identifies districts already performing at the desired level. Uses their average per-student spending to determine an "adequate" amount.	Simple, straightforward, and understandable. Success already in evidence at the identified districts.	Relies on data from assessments that may not measure the desired student outcomes. Limited district expenditure data available to make estimates.
School Reform Programs	Identifies components necessary to increase student performance based on pre-designed curriculum programs showing some evidence of success (e.g., Modern Red Schoolhouse, Success for All). Determines costs for implementation of such a program in a given school.	Provides schools with a concrete plan for changing their current practices. Provides a clear idea of what the money is buying.	Mixed evidence of success for many of the reform models. Mixed evidence on program transferability across districts.
Professional Judgment	Uses a panel of education professionals (teachers, principals, other administrators) to identify elements needed to educate differing students to a given level. Totals the costs, and makes adjustments.	Easy to explain and understand. Supported by teachers and administrators.	Innovative approaches unfamiliar to the professionals involved may not be considered. Decisions are not necessarily substantiated by achievement evidence. Lacks statistical precision.
Cost-Function Analysis	Uses extensive district data (e.g., poverty rate, student characteristics) and complex statistical analysis to correlate levels of student performance with dollar amounts needed to meet those targets. Identifies desired performance level and funds according to the cost-function associated with that level.	Provides a specific dollar amount for particular performance level. Uses controls for district and student characteristics, including price differences across a state and economies and diseconomies of scale. Gaining favor among economists.	Complex and difficult to explain. Relies on data from assessments that may not measure the desired student outcomes.

Models for Determining Adequate Funding

Adequacy-based funding formulas start with the base cost of education and then adjust for particular student characteristics (e.g., low-income, English language learner, and special education), district size and character (urban/suburban/rural), and geographic cost differences. A key element involves defining the components of success — which education strategies and staffing positions are needed to enable students to meet the prescribed standards. Dollar figures are then assigned to those components.

Straightforward as it may sound, this process poses major challenges. No single program guarantees high achievement for all students. Effective strategies differ. *Students* differ. To understand and improve productivity, much more knowledge is needed about how school inputs (e.g., level of teacher experience) are converted to outputs (e.g., test scores) for different types of students.[6] Moreover, though some comprehensive reform models have demonstrated success in improving the performance of students who are low-income, minority, and English language learners, much more needs to be learned about bringing these students to high proficiency levels.[7]

Nonetheless, even given these limitations, four models have emerged for developing an adequacy formula. Each model has strengths and weaknesses. Their developers expect states to view them as starting points and to meld and adapt them as appropriate. (See the box above, Comparison of Four Funding Models.)

Professional Judgment Model Adapted in Wyoming

1. Three panels of teachers and school administrators identified the components of a successful school. The components included class and school size, teacher training, and technology. Deviating from the model slightly, the legislature also looked at national research in determining which components were necessary.
2. The costs of the components were totaled.
3. Using a simplified process, adjustments were made to take into account geographical price differences and teacher seniority.

High-Performing Districts Model Applied in Ohio

1. The state identified those districts that had met the state criteria for success.
2. Of those identified, districts at both ends of the distribution — those that spent significantly more and less on their students — were eliminated.
3. 102 districts were evaluated using 18 criteria to determine their basic spending.
4. Adjustments were made to account for geographical price differences and district and student characteristics.

Practical Implications of Adequacy Funding

With no clear roadmap to high student achievement, there is yet no answer to the bottom-line question: how much spending will lead to what level of performance? Policymakers still face a calculation that is more art than science. Nonetheless, these models point to a number of rational ways to establish a per-pupil expenditure formula. And this is their real contribution.

New Governance Relationships in Adequacy-Based Systems

Philosophically, an adequacy formula also becomes the nexus of a new relationship between the state and school districts. In traditional accountability relationships, the state regulates input (e.g., textbooks, training programs, numbers of school hours and days), provides a politically determined amount of funding, and monitors district compliance. But when the focus of accountability shifts to results, roles change — dramatically. The state sets standards and performance measures, allocates adequate funding for new expectations — and then allows the districts to spend the funds however they want, in exchange for tight accountability for performance.

John Augenblick acknowledges that writing a check and letting go is hard for most policymakers to do. But, he notes, "If you tell school districts how to spend the money, the only thing you can hold them accountable for is how they spend the money."

As Augenblick suggests, adequacy-based financing pushes toward *governance change*, between states and districts, and between districts and schools, as well. The corollary of transferring state spending authority to the district is for the district to give that authority to the school — the place where teaching and learning occur — in an analogous, results-focused bargain. Charter schools, school-choice policies, school-reform networks, and voucher experiments are all evidence of a trend toward having those closest to the students make most of the instructional decisions that affect them.[9] The finance implication is to empower schools with control of their own budgets.

A Focus on Instructional Improvement

One question that quickly arises is whether decentralization (i.e., site-based management) is more likely than centralized governance to result in higher student achievement. Evidence exists that either approach can be effective, depending on particulars.[10] Allan Odden, though supportive of site-based management's potential and logic in an adequacy-based school finance policy, nonetheless advises that governance structure *per se* — including vouchers and other choice policies — is not the pivotal issue for student success. What he and others say matters most is a "laser-like focus" on improved performance.

School management, in whatever form, should be about allocating resources in support of instructional improvement. (See the box How Schools Can Use the Money.) Success in New York City's District 2, for example — which retained a centralized locus of authority — entailed reducing the central office staff to free

resources for the district's driving strategy: professional development.[11] Where decidedly site-based approaches have shown promise, in Memphis, for example, school empowerment is accompanied by a redefinition of the district's role. Instead of acting as decisionmaker and enforcer, the district becomes an assistance provider, serving as school sites' primary source of information, ideas, and strategies for effective resource use and for professional and organizational development. Critical, too, is providing site-adapted (district *and* state) online information systems.[12]

Additional Strategies to Support Adequate Per-Student Investments

Even if adequacy-based funding results in more money for education and new governance relationships, at least three additional strategies may need to be considered:

1. *Build the capacity of teachers and principals.* Policymakers at all levels tend to underestimate how much help teachers and principals need if they are to develop the knowledge and skills to do the job now expected of them.[13] Accountability alone will not make teachers more knowledgeable about the subjects they teach or allow them to use more effective instructional strategies. Resources and incentives need to push for high quality teacher development (i.e., teacher learning that is tailored, ongoing, and classroom-embedded) as part of the everyday fabric of schools. Principals — whose leadership shapes the school environment — need support to become effective instructional leaders and strategic thinkers able to analyze data and organize the school around resources.

2. *Change incentives to make sure performance counts.* The current teacher salary structure is not strategically aligned with results-based reforms. Allan Odden and other researchers advise states to take a series of steps to restructure teacher compensation and, thus, provide a key incentive for ongoing teacher development. These steps include:[14]

   - Identifying teaching standards, i.e., what teachers need to know and be able to do at different points in their careers;
   - Licensing teachers under these standards;
   - Structuring professional development around these standards;
   - Using these standards to evaluate teaching;
   - Providing the major pay increases when evaluation shows teacher performance meeting increasingly higher professional practice benchmarks.

3. *Build system capacity.* Especially in schools with high percentages of low-income, minority, and English language learner students, states should consider investing in extra student learning opportunities that have proven links to performance, such as preschool, all-day kindergarten, and extended-day academic programs. Measures to ensure safe, adequate school facilities and investments in technology may also be necessary.

What Special Challenges Do Western States Face?

A particular set of conditions in western states heightens the challenge of calculating the base cost of an adequate education and adjusting that base for students with special needs. These conditions include the following:

- *School funding lower than in other regions.* States in the West have long funded schools at levels below those in the Midwest and East. Arizona, California, Nevada, and Utah, for example, are high-wealth states that rank near the bottom in national per-pupil funding. The assumption that schools in these states can reach more-ambitious goals for all students mainly by reallocating existing resources may not be valid, experts say. In many western schools, for example, minimal staffing levels leave little leeway for staff redeployment.

- *Soaring enrollments.* Pockets of burgeoning enrollment, coupled with class size reduction, have worsened concerns over facilities and, especially, teacher supply and quality.

- *Growing student diversity.* More than 40 percent of Arizona's students are members of minority groups. Nevada's population of foreign-born students is the fastest growing in the nation. Close to 25 percent of

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How Schools Can Use the Money

In addition to increasing the amount of financial resources available to schools, adequacy-based funding formulas should allow for individual schools' discretion in allocating funds to best meet the needs of their particular students and situations. Giving schools more authority over their budgets is a key strategy for increasing student achievement.

While there is no definitive research on how funding decisions relate to student achievement, research on comprehensive reform models has identified a list of best practices that can guide schools in allocating resources:[15]

- Reduce class size to 25 or fewer.
- Use even smaller class sizes for reading instruction.
- Increase teacher professional development and common planning time.
- Provide tutors for struggling students.
- Provide full-time master teachers to work with classroom teachers.
- Provide access to computer technologies.

Even without new funding to underwrite the best practices above, schools and districts can reallocate some of their current funding toward improved teaching and learning:

- Reallocate staff positions within schools (e.g., replace two paraprofessionals with one full-time teacher or teacher tutor).
- Reduce central-office staff to fund large-scale professional development activities.
- Find and eliminate inefficiencies in school operations.

California's students are English language learners, and the state's rate of child poverty is the nation's worst. Such realities put these states at risk of underestimating the level of additional investment schools require for students with special needs.

To help, experts provide some advice:

- *Consider the national median to be the minimum adequate funding base.* Some experts propose that the national median per-pupil spending rate — or the state median if it is higher — should serve as the lowest adequate funding base. This base would then need to be supplemented by as much as $1,000 per student for English language learners, low-income pupils, or special education students.
- *Increase spending to support school and teacher capacity.* Adequate per-pupil funding needs to be part of an overall strategy that coordinates with other reform efforts to improve student achievement. These reforms include extended learning opportunities for students (e.g., preschool programs, all-day kindergarten, extended-day academic programs), investing in technology, and improving teacher quality.
- *Create a federal role.* In exchange for certain accountability guarantees, the federal government could assist those states that cannot meet the national per-pupil spending average. However, the chances are long that the federal government will make such an investment in the near future. Certainly most states, some under court order, are not in a position to wait and see.

Conclusion

Adequacy formulas expose the gap between what schools now receive and what they may really need, particularly those schools facing the costs of educating large numbers of students with special needs. The adequacy approach to school finance, driven by new standards, high-stakes accountability, and litigation, is gaining an audience because of its common-sense appeal. By replacing such questions as "Where do we stand in relation to the national spending average?" with "How much is enough to reach our goals?" adequacy speaks to the public's desire to link spending and results. By targeting resources directly toward classrooms and students, adequacy-based funding also reduces a common perception that too much education money is spent on the "wrong" things.

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ENDNOTES

In only Florida, Illinois, and Rhode Island have courts rejected adequacy claims.

[2] The Kentucky Supreme Court defined an adequate education as one that provides students with (1) sufficient oral and written communication skills to function in a complex society; (2) sufficient knowledge of economic, social, and political systems to make informed choices; (3) sufficient understanding of governmental processes to understand issues affecting the community, state, and nation; (4) sufficient self-knowledge; (5) sufficient grounding in the arts to appreciate heritage; (6) sufficient preparation for advanced academic or vocational training; and (7) sufficient skills to compete favorably in academics or the job market. (*Rose v. Council for Better Education*, 1989.)

[3] The New Jersey reforms included: (1) comprehensive whole-school reform, based on approved models; (2) full-day kindergarten and half-day preschool for three- and four- year olds; (3) accountability programs coordinated with the whole-school reform model; (4) technology, alternative school, comparable education, school-to-work, and college transition programs; and (5) facilities improvements.

[4] In a March 2000 decision, the New Jersey Supreme Court ruled that the requirement to establish quality preschool programs was not being met: the use of uncertified teachers and a 1:20 teacher-student ratio were faulted. Based on a plan the state had previously presented the court, it ordered the ratio set at 1:15 and called for insuring the use of certified teachers.

[5] States subject to court orders do not always have such budgetary flexibility. In Wyoming, for example, the State Supreme Court ruled that "because education is one of the state's most important functions . . . all other financial considerations must yield until education is funded." (*Campbell v. State*, 1995.) The court ordered the legislature to determine what constituted a "proper educational package" for all Wyoming students and how much it would cost and then required the legislature to fully fund it.

[6] Helen F. Ladd and Janet S. Hansen, editors, *Making Money Matter: Financing America's Schools*, Washington, DC: National Academy Press, 1999.

Allan Odden and Lawrence Picus, *School Finance: A Policy Perspective* (2nd Ed.), New York: McGraw Hill, August 1999.

[7] Helen F. Ladd, Rosemary Chalk, and Janet S. Hansen, editors, *Equity and Adequacy in Education Finance: Issues and Perspectives*, Washington, DC: National Academy Press, 1999.

[8] Some suggest that this approach be used as the standard against which to compare easier-to-understand methods. See Debra Viadero, "How Much Is Enough?," *Education Week*, September 29, 1999, www.EdWeek.org.

[9] See Augenblick and Myers web site, www.aandm.org/papers/ja/.

[10] Samuel Stringfield, Steven Ross, Lana Smith, *Bold Plans for School Restructuring: The New American School Designs*, Mahwah, NJ: Lawrence Erlbaum, 1996.

Alan Richard, "Sacramento Mayor's Legacy: Improved Schools," *Education Week*, February 2, 2000, www.EdWeek.org/.

Robert C. Johnston, "In a Texas District, Test Scores for Minority Students Have Soared," *Education Week*, April 5, 2000, www.EdWeek.org/.

[11] Richard Elmore and Deanna Burney, *School Variation and Systemic Instructional Improvement in Community School District #2, New York City*, Pittsburgh, PA: Learning Research and Development Center, October 1997.

[12] Allan Odden, "Creating School Finance Policies That Facilitate New Roles," *Policy Brief*, Consortium for Policy Research in Education, September 1998, www.upenn.edu/gse/cpre/.

[13] Robert L. Linn and Joan L. Herman, *A Policymaker's Guide to Standards-Led Assessment*, Los Angeles, CA: National Center for Research on Evaluation, Standards and Student Testing and Denver, CO: Education Commission of the States, February 1997.

[14] Allan Odden, *School Business Affairs*, forthcoming.

[15] Allan Odden, "The Costs of Sustaining Educational Change Through Comprehensive School Reform," *Phi Delta Kappan*, February 2000.

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Determining exactly what the "right" things are, however, is going to be more complex than simply picking an adequacy model and applying it. Much research is needed to understand the connection between spending and student achievement. Likewise, better student and expenditure data are necessary if new funding models are to be improved or developed.

Adequacy formulas expose the gap between what schools now receive and what they may really need, particularly those schools facing the costs of educating large numbers of students with special needs.

All the same, adequacy-based funding holds much promise, and the notion behind adequacy formulas — that funding should be linked with the results states are trying to achieve — is gaining support.

For further information, contact the WestEd Policy Program at (415-615-3160) or visit the Web site, www.WestEd.org/policy/

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